

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Menominee Township	County Menominee
Audit Date 3/31/04	Opinion Date 6/3/04	Date Accountant Report Submitted to State: 8/24/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Schenck SC			
Street Address 2200 Riverside Drive PO Box 23819		City Green Bay	State WI
Accountant Signature <i>Schenck SC</i>		ZIP 54305-3819	Date 8/24/04

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
MARCH 31, 2004

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
March 31, 2004

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INDEPENDENT AUDITORS' REPORT ON GENERAL-PURPOSE FINANCIAL STATEMENTS

To the Menominee Township Board
Menominee County, Michigan

We have audited the accompanying general-purpose financial statements of Menominee Township, Menominee County, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Menominee Township, Menominee County, Michigan's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Menominee Township, Menominee County, Michigan as of March 31, 2004, and the results of its operations and the cash flows of its nonexpendable trust fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2004 on our consideration of the Menominee Township, Menominee County, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Menominee Township, Menominee County, Michigan, taken as a whole. The financial information listed in the table of contents as supplemental information is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.



Certified Public Accountants
Green Bay, Wisconsin
June 3, 2004

GENERAL-PURPOSE FINANCIAL STATEMENTS

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
 Combined Balance Sheet - All Fund Types
 March 31, 2004

Governmental Fund Types		Fiduciary Fund Type	Account Group	Totals (Memorandum Only)	
	Special Revenue	Trust and Agency	General Fixed Assets		
General				2004	2003
\$ 1,964,802	\$ 6,205	\$ 13,286	\$ -	\$ 1,984,293	\$ 1,790,813
-	-	4,970	-	4,970	6,643
29,350	-	-	-	29,350	26,980
250	-	-	-	250	328
-	-	-	1,600	1,600	1,600
-	-	-	73,132	73,132	73,132
-	-	-	54,351	54,351	50,324
-	-	63,789	-	63,789	62,636
\$ 1,994,402	\$ 6,205	\$ 82,045	\$ 129,083	\$ 2,211,735	\$ 2,012,456
\$ 7,767	\$ 134	\$ 2,925	\$ -	\$ 10,826	\$ 15,835
-	-	15,081	-	15,081	6,643
-	-	250	-	250	328
7,767	134	18,256	-	26,157	22,806
-	-	-	129,083	129,083	125,056
-	-	63,789	-	63,789	62,636
100,000	6,071	-	-	106,071	1,508,131
1,886,635	-	-	-	1,886,635	293,827
1,986,635	6,071	63,789	129,083	2,185,578	1,989,650
\$ 1,994,402	\$ 6,205	\$ 82,045	\$ 129,083	\$ 2,211,735	\$ 2,012,456

The notes to the general-purpose financial statements are an integral part of this statement.

**MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN**

Combined Statement of Revenues, Expenditures and Changes in Fund Balances -
All Governmental Fund Types
Year Ended March 31, 2004

	Governmental Fund Types		Totals (Memorandum Only)	
	General	Special Revenue	2004	2003
Revenues				
Taxes	\$ 70,300	\$ -	\$ 70,300	\$ 67,229
Intergovernmental	290,949	-	290,949	313,664
Licenses and permits	146,461	-	146,461	103,864
Charges for services	-	1,900	1,900	2,200
Commercial	39,983	60	40,043	26,640
Other	778	-	778	426,452
Total Revenues	548,471	1,960	550,431	940,049
Expenditures				
Current				
General government	198,854	19,847	218,701	628,308
Public safety	42,000	-	42,000	36,098
Public works	95,159	-	95,159	104,269
Recreation	2,334	-	2,334	3,719
Unclassified	2,651	-	2,651	858
Total Expenditures	340,998	19,847	360,845	773,252
Excess of Revenues Over (Under) Expenditures	207,473	(17,887)	189,586	166,797
Other Financing Sources (Uses)				
Operating transfers in	-	15,827	15,827	10,668
Operating transfers out	(14,665)	-	(14,665)	(10,000)
Total Other Financing Sources (Uses)	(14,665)	15,827	1,162	668
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	192,808	(2,060)	190,748	167,465
Fund Balance - April 1	1,793,827	8,131	1,801,958	1,634,493
Fund Balance - March 31	\$ 1,986,635	\$ 6,071	\$ 1,992,706	\$ 1,801,958

The notes to the general-purpose financial statements are an integral part of this statement.

**MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN**

Combined Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - All Governmental Fund Types
Year Ended March 31, 2004

	General Fund			Special Revenue Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$ 77,236	\$ 70,300	\$ (6,936)	\$ -	\$ -	\$ -
Intergovernmental	303,000	290,949	(12,051)	-	-	-
Licenses and permits	126,700	146,461	19,761	-	-	-
Charges for services	-	-	-	2,200	1,900	(300)
Commercial	31,000	39,983	8,983	2,000	60	(1,940)
Miscellaneous	700	778	78	-	-	-
Total Revenue	538,636	548,471	9,835	4,200	1,960	(2,240)
Expenditures						
Current						
General government	291,196	198,854	92,342	22,238	19,847	2,391
Public safety	42,000	42,000	-	-	-	-
Public works	154,950	95,159	59,791	-	-	-
Recreation	10,498	2,334	8,164	-	-	-
Unclassified	21,954	2,651	19,303	-	-	-
Total Expenditures	520,598	340,998	179,600	22,238	19,847	2,391
Excess of Revenues Over (Under)						
Expenditures	18,038	207,473	189,435	(18,038)	(17,887)	151
Other Financing Sources (Uses)						
Operating transfers in	-	-	-	18,038	15,827	(2,211)
Operating transfers out	(18,038)	(14,665)	3,373	-	-	-
Total Other Financing Sources (Uses)	(18,038)	(14,665)	3,373	18,038	15,827	(2,211)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	192,808	192,808	-	(2,060)	(2,060)
Fund Balance - April 1	1,793,827	1,793,827	-	8,131	8,131	-
Fund Balance - March 31	\$ 1,793,827	\$ 1,986,635	\$ 192,808	\$ 8,131	\$ 6,071	\$ (2,060)

The notes to the general-purpose financial statements are an integral part of this statement.

**MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN**

Statement of Revenues, Expenses and Changes in Fund Balance -
Fiduciary Fund Type - Non-Expendable Trust Fund - Cemetery Perpetual Care
Year Ended March 31, 2004
With Comparative Totals for Year Ended March 31, 2003

	2004	2003
Revenues		
Contributions	\$ 1,000	\$ 1,600
Interest	1,315	668
Total Revenues	<u>2,315</u>	<u>2,268</u>
Expenses	<u>-</u>	<u>-</u>
Net Income before Operating Transfers	2,315	2,268
Operating Transfers Out	<u>(1,162)</u>	<u>(668)</u>
Net Income	1,153	1,600
Fund Balance - April 1	<u>62,636</u>	<u>61,036</u>
Fund Balance - March 31	<u>\$ 63,789</u>	<u>\$ 62,636</u>

The notes to the general-purpose financial statements are an integral part of this statement.

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

Statement of Cash Flows - Fiduciary Fund Type -
Non-Expendable Trust Fund - Cemetery Perpetual Care
Year Ended March 31, 2004
With Comparative Totals for Year Ended March 31, 2003

	2004	2003
Cash Flows from Operating Activities		
Net income	\$ 1,153	\$ 1,600
Cash and Cash Equivalents - April 1	62,636	61,036
Cash and Cash Equivalents - March 31	<u>\$ 63,789</u>	<u>\$ 62,636</u>

The notes to the general-purpose financial statements are an integral part of this statement.

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
Notes to General-Purpose Financial Statements
March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements of Menominee Township, Menominee County, Michigan, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Township are described below:

1. The Financial Reporting Entity

Menominee Township is a municipal corporation governed by an elected five-member board. The Township has not identified any component units that are required to be included in the general-purpose financial statements in accordance with standards established by GASB Statement No. 14.

2. Joint Ventures

The Township is a participant with Ingallston Township, Menominee County, Michigan in a joint venture to operate a landfill transfer station. The Menominee and Ingallston Township Transfer Station Board was created for that purpose. The Menominee and Ingallston Transfer Station is governed by a ten-member board composed of members from both Township Boards. The Townships are obligated by agreement to provide operating appropriations allocated 70% by Menominee Township and 30% by Ingallston Township. During 2003/2004 operating appropriations from the Townships were not needed. Complete financial statements for the Menominee and Ingallston Transfer Station can be obtained from the Menominee Township Clerk's office at the Menominee Township Hall.

The Township is also a participant with Ingallston Township, Menominee County, Michigan, in a joint venture to operate the Menominee-Ingallston Township Fire Department. The Menominee-Ingallston Fire Department Board was created for that purpose. The Menominee-Ingallston Fire Department is governed by a ten-member board composed of members from both Township Boards. The Townships are obligated to by agreement to provide operating appropriations allocated 70% by Menominee Township and 30% by Ingallston Township. During 2003/2004, Menominee Township remitted an operating appropriation of \$42,000 to the Menominee-Ingallston Fire Department. Complete financial statements for the Menominee-Ingallston Fire Department can be obtained from the Menominee Township Clerk's office at the Menominee Township Hall.

3. Fund Accounting

The accounts of the Township are organized on the basis of funds, and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
Notes to General-Purpose Financial Statements
March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial transactions of the Township and the results thereof are presented in the financial statements as follows:

GOVERNMENTAL FUNDS

General Fund - The general fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific resources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

FIDUCIARY FUNDS

Trust and Agency Funds - Trust and agency funds are used to account for assets held by the Township in a trustee capacity or as an agent for others. The Township utilizes nonexpendable trust funds and agency funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary fund types. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUP

Account groups are not funds as they reflect only financial position as of a certain date and do not involve the measurement of operations. The following account group is used by the Township.

General fixed assets - The general fixed asset account group is used to account for fixed assets acquired principally for general government purposes which are not accounted for in the proprietary funds.

4. **Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The measurement focus and basis of accounting used for Township funds follows:

GOVERNMENTAL FUNDS

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amounts of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. All significant revenue sources are treated as "susceptible to accrual".

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
Notes to General-Purpose Financial Statements
March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recognized when due. Liabilities for claims, judgments, compensated absences and pension contributions, if any, which will not be currently liquidated using expendable available financial resources are shown in the general long-term debt account group. The related expenditures are recognized when the liabilities are liquidated. The purchase of fixed assets used in governmental fund type operations (general fixed assets) are reported as expenditures of the governmental fund that finances the acquisition.

NON-EXPENDABLE TRUST FUNDS

All non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet.

The accrual basis of accounting is utilized by non-expendable trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

AGENCY FUNDS

The modified accrual basis of accounting is used by all agency funds.

5. Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. During March, the Township Board proposes an operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by Township Board action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general and special revenue funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. During the year, formal budgetary integration is employed as a management control device for the general fund and special revenue funds.
- d. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the Township. Amendments to the budget during the year require approval by the Township Board.
- e. Encumbrance accounting is not used by the Township to record commitments related to unperformed contracts for goods or services.

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
Notes to General-Purpose Financial Statements
March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Cash and Investments

Cash and investments are combined on the balance sheet. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are recorded at fair value. For purposes of the statement of cash flows, all cash deposits and highly liquid investments with a maturity of three months or less (including restricted assets) are considered to be cash equivalents.

7. Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet. Noncurrent portions of the interfund receivables for the governmental funds are offset by a deferred revenue account or shown as a reservation of fund balance since they do not constitute expendable available financial resources and therefore are not available for appropriation.

8. Fixed Assets

Fixed assets of the Township are valued at either historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair value on the date donated. Fixed assets are recorded in the general fixed asset account group and are not capitalized in the funds used to acquire or construct them. The expenditures for the acquisition and construction are reflected in governmental funds, and the related assets are reported in the general fixed assets account group. Public domain ("infrastructure") general fixed assets consisting of certain improvements, such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized as these assets are immovable and of value only to the Township. Assets in the general fixed assets account group are not depreciated.

9. Fund Equity

Under the provisions of GASB Statement No. 1, a Township may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

10. Interfund Transactions

During the course of normal operations, the Township has various transactions between funds, including expenditures and transfers of resources to provide services, construct assets and service debt. The governmental funds generally record such transactions as operating transfers if within governmental funds.

11. Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

12. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
Notes to General-Purpose Financial Statements
March 31, 2004

NOTE B - CASH AND INVESTMENTS

The Township maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts are displayed on the combined balance sheet as "cash and investments".

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits are in accordance with statutory authority.

The carrying value of cash and investments of the Township totaled \$2,048,082 on March 31, 2004 as summarized below:

Deposits with financial institutions	\$ 876,841
Investments	1,171,241
	<u>\$2,048,082</u>

Additional information on the above deposits and investments follows:

Deposits - Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$100,000 for interest bearing accounts and \$100,000 for non-interest bearing accounts. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$100,000 per credit union member. At year end, the bank balance of the Township's deposits with financial institutions totaled \$883,454. Of this amount, \$323,019 was covered by FDIC insurance, \$100,000 was covered by NCUSIF insurance, leaving a balance of \$460,435 uninsured. No amounts have been collateralized.

Investments - The Township's investments are categorized below in accordance with GASB Statement No. 3 in order to provide an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty.

	Category			Carrying Amount	Market Value
	1	2	3		
Cash and Money Markets	\$3,721	\$ -	\$ -	\$ 3,721	\$ 3,721
U.S. Government obligations	-	-	1,100,009	1,100,009	1,100,009
Mutual Funds in U.S.					
Government obligation	-	-	67,511	67,511	67,511
	<u>\$3,721</u>	<u>\$ -</u>	<u>\$1,167,520</u>	<u>\$1,171,241</u>	<u>\$1,171,241</u>

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
Notes to General-Purpose Financial Statements
March 31, 2004

NOTE C - RESTRICTED ASSETS

Restricted assets on March 31, 2004 consisted of cash and investments of \$63,789 held for the following purpose:

Trust and Agency Fund	
Cemetery perpetual care	<u>\$63,789</u>

NOTE D - DESIGNATED FUND BALANCE

On March 31, 2004, the Township designated \$100,000 of its general fund balance for the following purposes:

Park improvements	<u>\$100,000</u>
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NOTE E - RETIREMENT PLAN

The Township has a defined contribution pension plan covering only the Township board members. The Township's pension contribution for the year ended March 31, 2004 was \$11,523. There are no unfunded liabilities. The Township's contributions are based upon the prior year compensation for each board member.

NOTE F - RISK MANAGEMENT

The Township has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenditures in the general fund of the Township.

NOTE G - CONTINGENT LIABILITIES

From time to time, the Township is party to pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Township's financial position or results of operations.

SUPPLEMENTAL INFORMATION

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

General Fund

Detailed Comparison of Budgeted and Actual Revenues
Year Ended March 31, 2004

With Comparative Actual Amounts for Year Ended March 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)	Actual Prior Year
Taxes				
Property tax for Township purposes	\$ 77,236	\$ 70,259	\$ (6,977)	\$ 67,229
Delinquent property tax	-	41	41	-
	<u>77,236</u>	<u>70,300</u>	<u>(6,936)</u>	<u>67,229</u>
Intergovernmental				
State shared revenue	303,000	284,179	(18,821)	313,657
Summer tax state revenue	-	6,770	6,770	-
CFR and swamp	-	-	-	7
Total Intergovernmental	<u>303,000</u>	<u>290,949</u>	<u>(12,051)</u>	<u>313,664</u>
Licenses and Permits				
General licenses and permits	200	219	19	62
Landfill impact fees	120,000	138,666	18,666	96,753
Cable TV fees	6,500	7,576	1,076	7,049
Total Licenses and Permits	<u>126,700</u>	<u>146,461</u>	<u>19,761</u>	<u>103,864</u>
Commercial				
Interest	30,000	38,833	8,833	25,600
Rent - town hall	1,000	1,150	150	1,000
Total Commercial	<u>31,000</u>	<u>39,983</u>	<u>8,983</u>	<u>26,600</u>
Miscellaneous	<u>700</u>	<u>778</u>	<u>78</u>	<u>426,452</u>
Total Revenues	<u>\$ 538,636</u>	<u>\$ 548,471</u>	<u>\$ 9,835</u>	<u>\$ 937,809</u>

**MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN**

General Fund

Detailed Comparison of Budgeted and Actual Expenditures

Year Ended March 31, 2004

With Comparative Actual Amounts for Year Ended March 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)	Actual Prior Year
General Government				
Township board	\$ 16,100	\$ 20,555	\$ (4,455)	\$ 15,582
Supervisor	20,600	14,780	5,820	14,838
Elections	2,500	413	2,087	6,351
Assessor	25,796	24,706	1,090	224,257
Clerk	30,900	27,278	3,622	23,155
Board of review	2,800	1,364	1,436	1,031
Treasurer	29,500	26,067	3,433	22,113
Legal and audit	105,000	24,877	80,123	262,580
Township hall and grounds	27,000	31,146	(4,146)	18,828
Property and liability insurance	15,000	10,440	4,560	10,516
Pension and benefits	16,000	17,228	(1,228)	13,450
Total General Government	291,196	198,854	92,342	612,701
Public Safety				
Fire protection	42,000	42,000	-	35,000
Public Works				
Street - lighting	3,750	3,189	561	3,397
Street - traffic	-	11	(11)	484
Street - signs	-	1,108	(1,108)	994
Street - maintenance	151,200	90,851	60,349	99,394
Total Public Works	154,950	95,159	59,791	104,269
Recreation	10,498	2,334	8,164	3,719
Unclassified				
Miscellaneous	-	2,651	(2,651)	858
Contingency	21,954	-	21,954	-
Total Unclassified	21,954	2,651	19,303	858
Total Expenditures	\$ 520,598	\$ 340,998	\$ 179,600	\$ 756,547

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
 Special Revenue Funds
 Combining Balance Sheet
 March 31, 2004
 With Comparative Totals for March 31, 2003

	Cemetery Operations	Totals	
		2004	2003
ASSETS			
Cash and investments	\$ 6,205	\$ 6,205	\$ 8,791
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 134	\$ 134	\$ 660
Fund Balance			
Unreserved			
Designated for subsequent years expenditures	6,071	6,071	8,131
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,205	\$ 6,205	\$ 8,791

**MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN**

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended March 31, 2004

With Comparative Totals for Year Ended March 31, 2003

	Cemetery Operations	Liquor Law Enforcement	Totals	
			2004	2003
Revenues				
Intergovernmental				
State and local	\$ -	\$ -	\$ -	\$ -
Public charges for services				
Burial fees	1,900	-	1,900	2,200
Commercial				
Interest	60	-	60	40
Total Revenues	1,960	-	1,960	2,240
Expenditures				
General government	19,847	-	19,847	15,607
Public safety	-	-	-	1,098
Total Expenditures	19,847	-	19,847	16,705
Excess of Revenues Over (Under) Expenditures	(17,887)	-	(17,887)	(14,465)
Other Financing Sources				
Operating transfer in from general fund	16,000	-	16,000	10,000
Operating transfer in from perpetual care	1,162	-	1,162	668
Operating transfer out to general fund	-	(1,335)	(1,335)	-
Total Other Financing Sources	17,162	(1,335)	15,827	10,668
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(725)	(1,335)	(2,060)	(3,797)
Fund Balance - April 1	6,796	1,335	8,131	11,928
Fund Balance - March 31	\$ 6,071	\$ -	\$ 6,071	\$ 8,131

MENOMONEE TOWNSHIP
MENOMONEE COUNTY, MICHIGAN

Trust and Agency Funds
Combining Balance Sheet
March 31, 2004

With Comparative Totals for March 31, 2003

	Non-Expendable Cemetery Trust Fund	Agency Fund Tax Collection	Totals	
			2004	2003
ASSETS				
Cash and investments	\$ -	\$ 13,286	\$ 13,286	\$ 328
Delinquent property taxes receivable	-	4,970	4,970	6,643
Restricted assets				
Cash and investments	63,789	-	63,789	62,636
TOTAL ASSETS	\$ 63,789	\$ 18,256	\$ 82,045	\$ 69,607
LIABILITIES AND FUND BALANCES				
Liabilities				
Account payable	\$ -	\$ 2,925	\$ 2,925	\$ -
Due to taxing districts	-	15,081	15,081	6,643
Due to general fund	-	250	250	328
Total Liabilities	-	18,256	18,256	6,971
Fund Balance				
Reserved for perpetual care	63,789	-	63,789	62,636
TOTAL LIABILITIES AND FUND BALANCE	\$ 63,789	\$ 18,256	\$ 82,045	\$ 69,607

**REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL
AND
OTHER COMMENTS AND OBSERVATIONS**

**MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN**

MARCH 31, 2004

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF GENERAL-PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Menominee Township Board
Menominee County, Michigan

We have audited the general-purpose financial statements of Menominee Township, Menominee County, Michigan, as of and for the year ended March 31, 2003 and have issued our report thereon dated June 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Menominee Township, Menominee County, Michigan's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Menominee Township, Menominee County, Michigan's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Menominee Township, Menominee County, Michigan's ability to record, process, summarize and report financial data consistent with the assertions of management in the general-purpose financial statements. Reportable conditions noted during our audit are described on page no. 1 attached to this report.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be a reportable condition, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are material weaknesses.

Presented on the following page is a table of contents for enclosed information and comments about financial and administrative matters that came to our attention during our audit of the Menominee Township's general-purpose financial statements. The basic purpose of the enclosed is to provide recommendations for improving the internal control structure and to provide financial information to assist management in the decision making process.

This report is intended for the information of management and the Township Board, and is not intended to be and should not be used by anyone other than these specified parties.

Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
June 3, 2004

MENOMINEE TOWNSHIP
Menominee County, Michigan
March 31, 2004

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STATUS OF PRIOR YEAR REPORTABLE CONDITION - MATERIAL WEAKNESS

Comparison of Cash and Investment Accounts to General Ledger Balances

Our prior year management letter included a reportable condition in regard to the lack of timely comparison of the monthly cash and investment reconciliation to the general ledger.

During our audit, we noted significant progress in the later half of the 2003/2004 fiscal year toward correcting the condition of comparing cash balances to the general ledger. The reportable condition still exists since the condition was not rectified completely by the end of the fiscal year, but we have noted that the clerk and treasurer have implemented a monthly procedure of meeting to compare the cash balances to the general ledger.

SUMMARY FINANCIAL INFORMATION

Governmental Fund Balances

Presented below is a summary of the Township's fund balances on March 31, 2004, including a comparison to the prior year. This information is provided to assist the Township Board in assessing financial results for 2003/2004 and to indicate financial resources available at the start of the 2004/2005 budget year.

	3/31/04	3/31/03
General Fund		
Designated for subsequent years expenditures		
Road improvements	\$ -	\$1,500,000
Park improvements	100,000	-
Undesignated	1,886,635	293,827
Total General Fund	1,986,635	1,793,827
Special Revenue Funds		
Cemetery operations	6,071	6,796
Liquor law enforcement	-	1,335
Total Special Revenue Funds	6,071	8,131
Non-Expendable Trust Fund		
Cemetery perpetual care	63,789	62,636
Total Fund Balances	\$2,056,495	\$1,864,594

We encourage local governments to maintain a general fund undesignated fund balance to meet operating cash flows. The above undesignated amount of \$1,886,635 at March 31, 2004 represents, in our opinion, more than an adequate fund balance based upon 2003/2004 expenditures.

Under current spending levels in the general fund of approximately \$350,000, the general fund's undesignated fund balance would be sufficient to finance the Towns' operations for 5.5 years. Given this unique situation of having a large fund balance in relation to annual expenditures we recommend the Town consider the following:

- Reducing or eliminating the annual property tax levy.
- Begin working on developing a 5-10 year capital projects plan by identifying possible areas for capital expenditures. Examples are as follows:
 1. New park equipment included in the 2004/2005 budget.
 2. Future Fire Department capital needs (fire station, fire equipment).
 3. Road maintenance and construction schedule.
 4. Garbage collection for the Town as shown in the 2004/2005 budget.
 5. Other items as identified by the board or Town citizens.

OTHER COMMENTS AND OBSERVATIONS

GENERAL

GASB Statement No. 34 - Implementing the New Standard

The Town's financial statements for the year ending December 31, 2003/2004 will be the first year requiring reporting under GASB Statement No. 34. In previous management letters we have summarized the financial statement changes required by GASB Statement No. 34. We have discussed the Town's implementation plan and status with Town officials. Based upon these discussions, we have summarized the status of the implementation below:

Items needed:

- Analyze GASB No. 34 Requirements
- Expand Capital Asset Records
- Create Infrastructure Records
- Design Format for Management's Discussion and Analysis (we can assist by providing samples of other municipalities)

We encourage the Town to continue to work on the implementation of GASB 34 during the current year. We are available to assist you with implementation of the new GASB standard and provide guidance on managing this process.

OTHER REQUIRED COMMUNICATION

In accordance with the requirements of government auditing standards generally accepted in the United States of America, the following disclosures are presented:

1. Significant Accounting Policies

The significant accounting policies used in the preparation of the financial statements are disclosed in Note A to the general-purpose financial statements. There have been no material unusual transactions or controversial accounting issues.

2. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. We are not aware of any particularly sensitive accounting estimates used by management in the preparation of the financial statements.

3. Significant Audit Adjustments

The financial statements reflect all accounting adjustments proposed during our audit. None of the adjustments were considered significant to the financial condition or operating results of the Township. Copies of the audit adjustments are available from management.

4. Other Information in Documents Containing Audited Financial Statements

All the information included in the general-purpose financial statements has been audited. Our responsibilities are addressed in the Independent Auditor's Report.

5. Disagreements with Management

We have had no material disagreements with management. For the purposes of this disclosure, professional accounting standards define a disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report.

6. Consultations with Other Auditors

To the best of our knowledge, management has not consulted with or obtained opinions from other independent auditors on auditing and accounting matters during the past year.

7. Issues Discussed Prior to the Current Audit

We have discussed various accounting and financial issues, including the application of any new and changed accounting principles or auditing standards, with management prior to conducting the audit. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to completing the services as your auditor.

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing the audit.